

**BE BOLD.
BE DIFFE
RENT.**

MSP STEEL & POWER LIMITED | ANNUAL REPORT, 2010-11

Forward-looking statements

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise

02

Corporate identity

04

Growth in our numbers

06

Strategic overview by the Chairman

12

Answering shareholder questions

16

Business segment review

18

Exciting industry prospects

20

Corporate social responsibility

21

Management discussion and analysis report

25

Directors' Report

30

Report on Corporate Governance

38

CEO & CFO certification

39

Auditors' Report

42

Balance sheet

43

Profit & loss account

44

Cash flow statement

45

Schedules and notes

71

Balance sheet abstract

72

Section 212

73

Other financial statements

Contents

BE BOLD. BE DIFFERENT.

In a challenging 2010-11, the Indian steel industry grew 8.80%. MSP Steel & Power Limited reported a 25.01% increase in its revenues to Rs. 517.89 cr and a 56.64% increase in its profit after tax to Rs. 50.21 cr.

In a sluggish 2010-11, there was a general decline in steel industry margins; MSP Steel & Power Limited reported a 403.14 bps increase in its EBIDTA margin to 21.22%.

This typically contrarian performance was the result of a number of proactive initiatives by the Company to reduce production costs at one end and enhance value-addition at the other.

WHO WE ARE

VISION

To unleash the power of our products to help enhance the country's economic growth and the wellbeing of its citizens

LEGACY

Flagship of the MSP Group promoted by Mr. Puranmal Agrawal (Chairman) and Mr. Suresh Kumar Agrawal (Managing Director)

CREDENTIALS

One of India's fastest-growing industrial conglomerates, engaged in the production and distribution of products like sponge iron, MS billets, TMT bars, structurals (angles, channels and joists) and power

BRAND

The Company's TMT bars are marketed under the popular 'MSP Gold TMT Bar now with Quadra Power' brand

Next-Gen TMT Bar

SHAREHOLDER

RECOGNITION

Market capitalisation increased from
Rs. 224.27 cr as on 31 March 2010 to
Rs. 366.90 cr as on 31 March 2011

PRESENCE

Headquartered in Kolkata with a
pan-India marketing presence

PEOPLE

More than 1,000 employees

LISTING

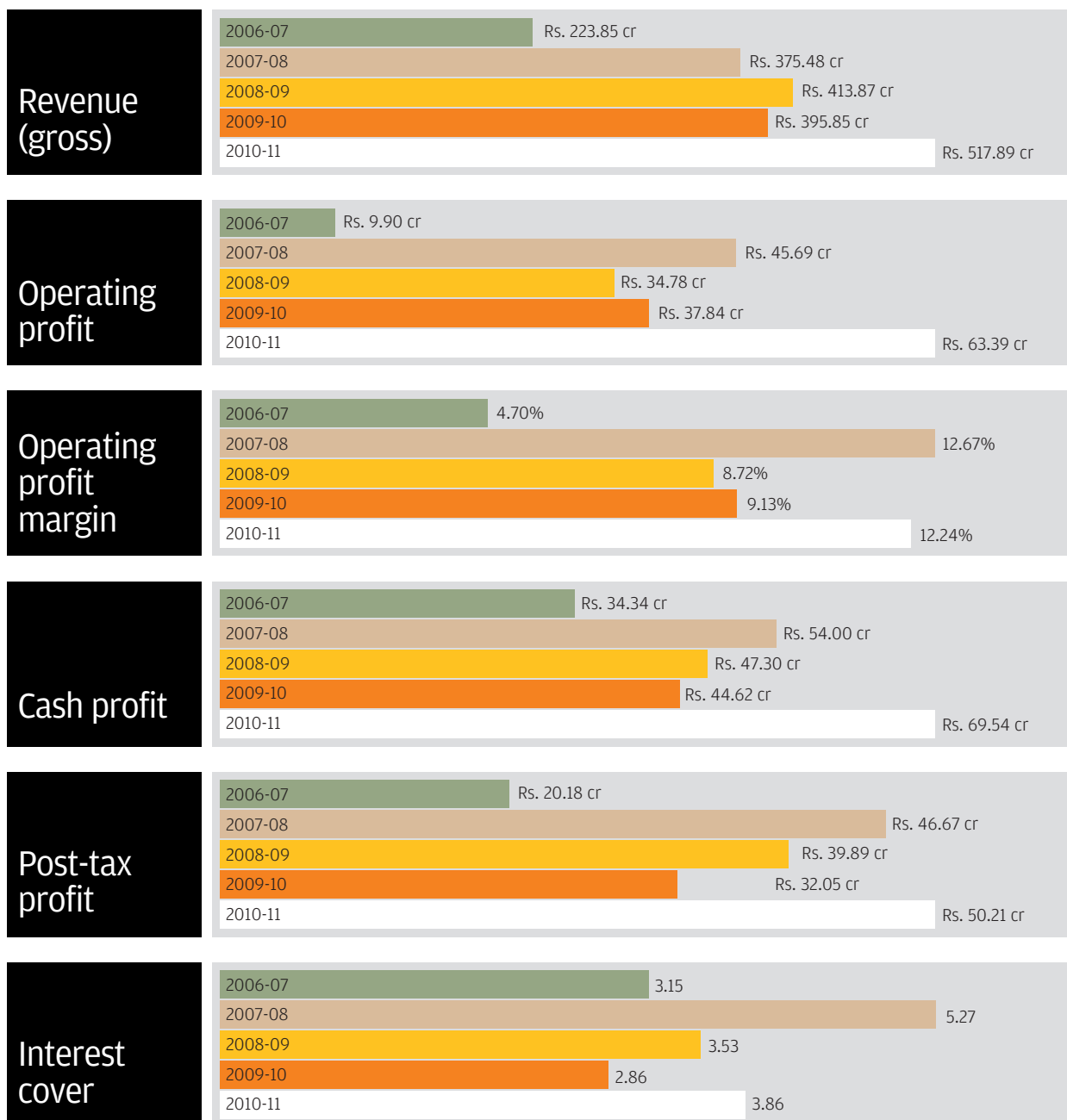
The equity shares of MSP Steel &
Power are listed on the Bombay and
National Stock Exchanges.

PROMOTER

HOLDING

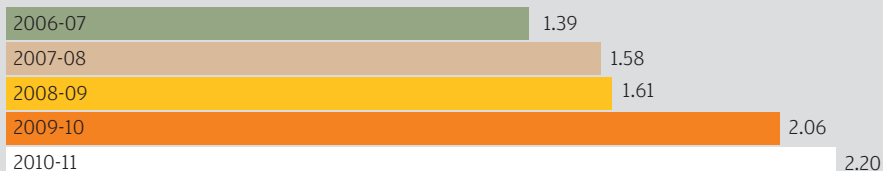
The promoters hold a 71.80% stake
in the Company's equity share
capital.

CHALLENGING YEAR FOR THE INDUSTRY.

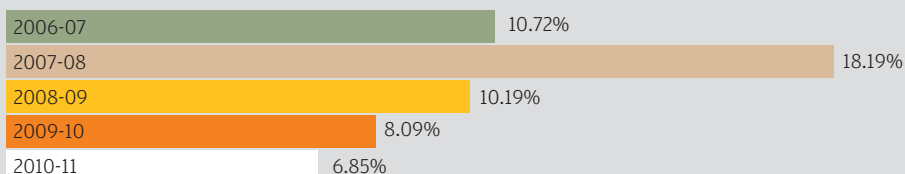


RECORD YEAR FOR THE COMPANY.

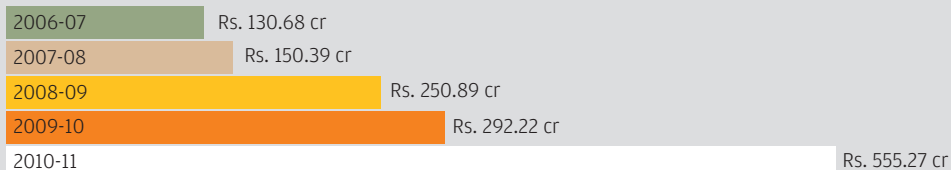
Debt-equity ratio



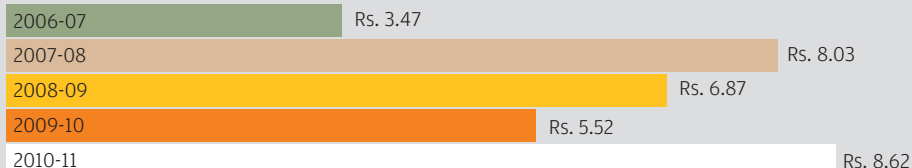
Return on capital employed (average)



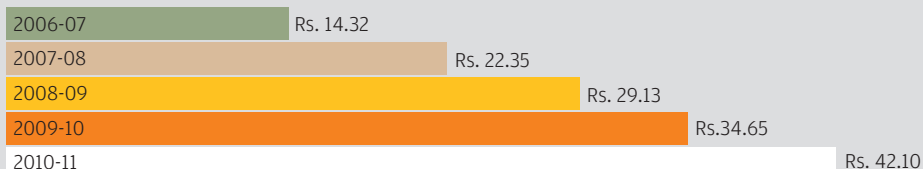
Gross block



Earnings per share (EPS, basic)



Book value per share



Dividend per share



STRATEGIC OVERVIEW BY THE CHAIRMAN

Dear Shareholders,

STEEL REPRESENTS
THE HEART OF THE
MODERN WORLD.

TODAY'S PRODUCERS
SEEK TO CREATE
NEW STEEL
VARIETIES FOR
EMERGING
APPLICATIONS
THROUGH IMPROVED
MANUFACTURING
PROCESSES WITH
THE OBJECTIVE TO
MAKE MORE FROM
LESS, WHILE
REDUCING
ENVIRONMENTAL
IMPACT.

Steel is now a globally-traded product. Japan has consistently been a major net exporter, and the USA a major net importer. However, between 2005 and 2007, China's exports more than doubled to 69 million tonnes before falling 13% in 2008 and almost 60% in 2009. Demand was robust during the first half of 2010 in the developing world, aided in part by government stimulus packages, improving credit conditions and falling unemployment (evident in parts of Asia and South America).

In India, a tightening monetary policy strengthened interest rates but impacted steel consumption and realisations. This reality notwithstanding, MSP reported a highly improved performance in 2010-11.

- Highest ever turnover of Rs. 517.89 cr compared with Rs. 414.28 cr in 2009-10 (growth of 25.01%)
- Highest ever EBITDA of Rs. 109.90 cr compared with Rs. 71.21 cr in 2009-10 (growth of 54.33%)
- Highest ever cash profit of Rs. 69.54 cr compared with Rs. 44.62 cr in 2009-10 (growth of 55.82%)
- Highest ever net profit of Rs. 50.21 cr compared with Rs. 32.05 cr in 2009-10 (growth of 56.64%)

Indian steel industry

It was generally believed that India's steel industry has a 1.5x multiplier with the country's GDP growth - an annual

demand growth of around 12% to keep the country's infrastructure engine running. It will be pertinent to indicate that India expects to double its infrastructure outlay to USD 1 trillion in the Twelfth Plan, which will create a considerably larger appetite for steel in India.

Now consider the supply side: A number of large steel players announced greenfield steel-making plans in India over the last five years, of which, hardly a few materialised on account of issues related to land acquisition, livelihood displacement and environmental clearances. This indicates that not only is the country unlikely to commission adequate steel-making capacity to feed its growing needs, but a projected shortage is likely to turn India into a net steel importer.

MSP is attractively placed to capitalise on this industry scenario: The Company is proximate to raw material resources, progressively secured its raw material requirements, substituted the need to make large capital investments with relatively moderate capacities that can be progressively scaled, commissioned projects ahead of schedule and created a business model that represents a balance of revenues and margins growth.

As a result of this business model, the Company expects to enhance stakeholder value in a sustainable way across the foreseeable future.

Business-strengthening initiatives

There are a number of reasons why MSP outperformed the prevailing industry trend.

In the competitive steel industry, business advantage is derived from an ability to enhance capacities, reduce costs and shrink time (which translates into lower costs).

At MSP, we created fresh capacities on the one hand and compressed commissioning costs and time for our various projects on the other. These preponed revenues and profits which accelerated payback; we also provided capacities to markets faster than competitors, increasing market share.

We operationalised our 18-MW power plant and 115,500-TPA DRI plant six months ahead of schedule. We commissioned these capacities for an investment of Rs. 190.89 cr. The project was completed in 21 months against an industry average of 24 months.

We commenced commercial DRI production from January 2011 with a commendable 52.27% capacity utilisation during the quarter, following operationalisation. This translated into revenues of Rs. 17.82 cr during the financial year under review. The project was completed in 21 months against an industry average of 24 months.

We commissioned a 128,000-TPA structural steel mill towards the end of 2009-10 and reported a capacity

utilisation of 42.73% in asset utilisation. This translated into revenues of Rs. 154.59 cr during the financial year under review.

We established a residential colony near our manufacturing plant to provide accommodation to more than 1,000 employees and their families.

Our strategic blueprint

At MSP, we intend to continue investing in our assets for the next two years with the objective to scale production, widen our product basket, reduce costs and enhance value-addition, the combination of which is expected to strengthen our competitive advantage in the following ways:

- One, enhance the proportion of value-added structural steel products from 30.35% in 2010-11 to 90% and increase average realisations per tonne
- Two, widen the reach of MSP Gold Thermex TMT bars
- Three, enhance exports
- Four, explore possibilities related to acquisitions to plug product/market/competency gaps
- Five, strengthen margins through operational efficiencies and realisations
- Six, invest Rs. 180 cr in a 34-MW merchant power plant (proposed commercialisation in the third quarter of 2011-12); commission a 6-lac TPA pellet plant (proposed commercialisation in the third quarter of 2011-12), increasing our aggregate pelletisation capacity to 9 lac TPA and a 3.84-lac TPA coal washery

(projected by August 2011), increasing our total coal beneficiation capacity to 7.30 lac TPA; establish a DRI/sponge iron plant with a 115,000 TPA capacity by March 2012

The result is that we expect to emerge as a Rs. 1,250 cr revenues organisation by 2012-13.

Strengthening governance practices

No overview will be complete without a mention of our governance commitment. We adhere to the best global practices in the areas of governance and transparency. We organised monthly/quarterly meets to move closer to customers, suppliers and investors, and share with them our vision for the future and invite them to participate in our growth story.

A word of thanks

I take this opportunity to acknowledge the efforts of all those who contributed to our growth - our shareholders, customers, employees, partners, suppliers and community members. The Company will continue to enhance value for all those who depend on us, work with us and invest in us.

Sincerely,

Puranmal Agrawal
Chairman

Value-addition

FROM AN
AVERAGE RAW
MATERIAL
COST OF

RS. **2,779** PER
TONNE TO

AN AVERAGE
END-PRODUCT
REALISATION OF

RS. **29,012** PER
TONNE.